

**MINUTE ITEM**

This Calendar Item No. C44 was approved as Minute Item No. 44 by the California State Lands Commission by a vote of 3 to 0 at its 6-2-03 meeting.

**CALENDAR ITEM**

**C44**

A) 8

S) 2

06/02/03  
PRC 8377  
J. Planck  
M. Hamilton

**CONSIDER APPROVAL OF AN AMENDMENT TO  
NEGOTIATED LIMITED SURFACE USE  
OIL AND GAS LEASE NO. PRC 8377,  
GRIZZLY ISLAND WILDLIFE MANAGEMENT AREA,  
SOLANO COUNTY**

**LESSEE:**

Oxy Resources California, LLC  
Attn: Mr. Charles E. Adams  
28590 Highway 119, P.O. Box 1002  
Tupman, CA 93276-1002

**BACKGROUND:**

Negotiated limited surface use Oil and Gas Lease PRC 8377 was issued to Oxy Resources California, LLC, (ORCA) on January 30, 2002. The Lease contains approximately 8,850 gross (4,952 net) mineral acres in the Grizzly Island Wildlife Management Area, Solano County, California (see Location Map, Exhibit A, attached hereto). The State's mineral interests in the leased lands are fifty percent (50%) mineral interest in those lands under the jurisdiction of the Department of Fish and Game (DF&G) underlying Grizzly and Hammond Islands and one hundred percent (100%) mineral interest in those lands under the jurisdiction of the California State Lands Commission (Commission) underlying Montezuma Slough, Grizzly Slough, Howard Slough and Roaring River. The DF&G administers all surface use of the Grizzly Island Wildlife Management Area.

Under current Solano County Use Permit No. U-01-03, and the provisions of PRC 8377, ORCA was authorized to drill an initial lease well from the DF&G Parking Lot 4 within the Grizzly Island Wildlife Management Area (see Site Map,

CALENDAR ITEM NO. C44 (CONT'D)

Exhibit B, attached hereto). Based on an analysis of new seismic information, ORCA has requested the Lease be amended to authorize a new drill site location in the Grizzly Island DF&G Maintenance Yard, approximately two miles northwest of Parking Lot 4. ORCA is seeking Commission approval for the drilling of up to two exploratory wells from the Maintenance Yard site. In exchange for Commission approval of the new site and wells, ORCA has agreed to relinquish its current Commission approval to drill a well from Parking Lot 4. If gas is found in paying quantities in any well drilled from the DF&G Maintenance Yard drill site, ORCA will construct an underground gas gathering line to connect the new well to an existing PG&E pipeline on Grizzly Island Road. Any gas produced will be treated at the well site prior to shipment.

DF&G is in favor of changing the location of the drill site to the Maintenance Yard and has executed a memorandum of understanding dated April 18, 2003 (Exhibit E, attached hereto), with ORCA relating to use of the site by ORCA. On May 15, 2003, the Solano County Planning Commission adopted the Mitigated Negative Declaration prepared for the project, and approved the project and issuance of Use Permit No. U-03-03 to allow ORCA to use the Maintenance Yard site to drill two (2) wells. Under the terms of the Lease, all construction-related activities, including the drilling, completing, and equipping of the wells and the installation of the gathering line, may be conducted only during the designated "Construction Window." With the approval of DF&G and in accord with the terms of the Use Permit, the proposed lease amendment establishes the Construction Window for the DF&G Maintenance Yard as a four and one-half month period commencing on April 15<sup>th</sup> and ending on September 30<sup>th</sup> of each year.

**OTHER PERTINENT INFORMATION:**

1. A Mitigated Negative Declaration (SCH No. 2003042099) and Mitigation Monitoring Program were prepared and adopted for this project by Solano County. The documents are on file and the California State Lands Commission staff has reviewed these documents.
2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.
3. A lease amendment to change the location of the well drill site and the number of authorized wells (two), and to designate the Construction

CALENDAR ITEM NO. C44 (CONT'D)

Window for the Maintenance Yard has been prepared for execution by the lessee (Exhibit C, attached hereto).

**EXHIBITS:**

- A. Location Map
- B. Site Map
- C. Lease Amendment
- D. Mitigation Monitoring Program
- E. Memorandum of Understanding between the Department of Fish and Game, and Oxy Resources California, LLC

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMEND ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

- 1. FIND THAT A MITIGATED NEGATIVE DECLARATION (SCH NO. 2003042099) AND MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY SOLANO COUNTY AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
- 2. ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED IN EXHIBIT D, ATTACHED HERETO.

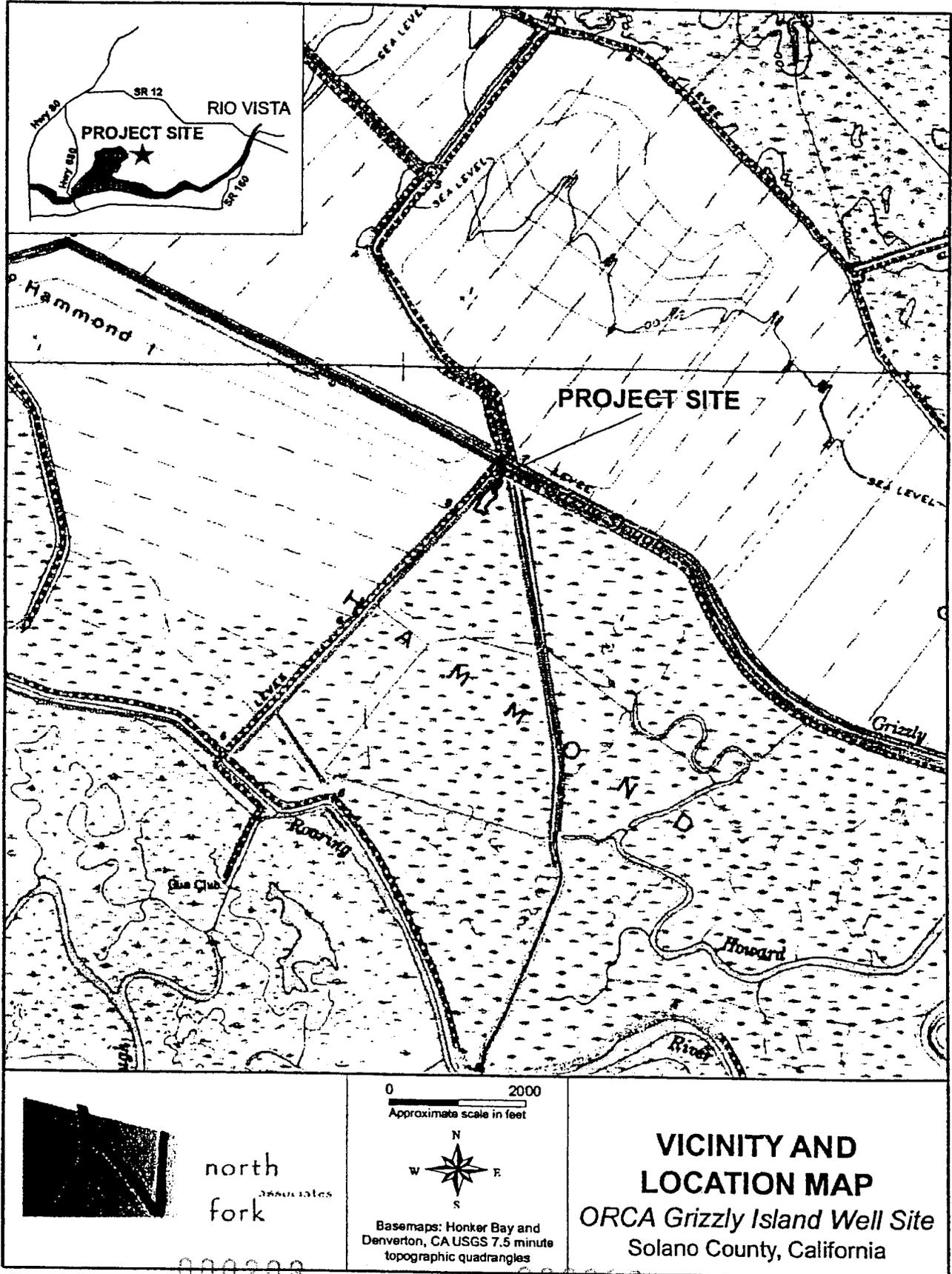
**AUTHORIZATION:**

- 1. RESCIND THE COMMISSION'S AUTHORIZATION, GRANTED AT THE TIME OF ISSUANCE OF THE LEASE, FOR THE DRILLING OF A WELL FROM A DRILL SITE WITHIN "PARKING LOT 4" ON THE SUBJECT LEASE.
- 2. AUTHORIZE THE AMENDMENT OF NEGOTIATED LIMITED SURFACE USE OIL AND GAS LEASE NO. PRC 8377, GRIZZLY ISLAND WILDLIFE MANAGEMENT AREA, SOLANO COUNTY, IN THE FORM ATTACHED TO THIS CALENDAR ITEM AS EXHIBIT C. THIS AMENDMENT WILL PERMIT THE LESSEE TO USE THE DEPARTMENT OF FISH AND GAME'S GRIZZLY ISLAND MAINTENANCE YARD SITE TO DRILL UP TO TWO (2) WELLS; PERMIT THE CONSTRUCTION OF A NATURAL

CALENDAR ITEM NO. C44 (CONT'D)

GAS GATHERING LINE FROM THE WELL SITE TO AN EXISTING PG&E PIPELINE; AND ESTABLISH THE ANNUAL CONSTRUCTION WINDOW FOR THE MAINTENANCE YARD. ALL OTHER CONDITIONS IN THE LEASE ARE TO REMAIN UNCHANGED.

3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

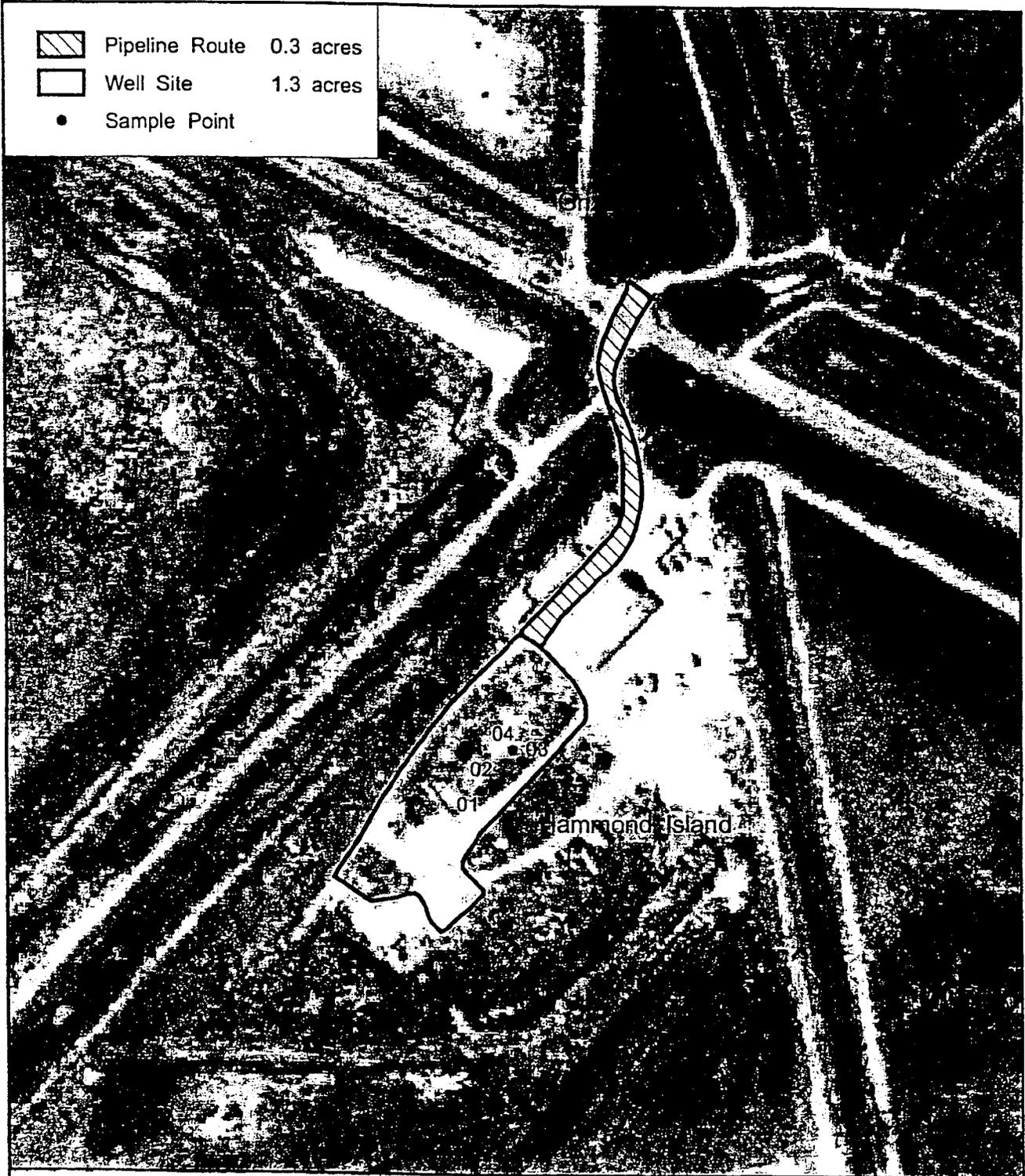


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-  Pipeline Route 0.3 acres
-  Well Site 1.3 acres
-  Sample Point



north  
fork  
ASSOCIATES

0 200  
Approximate scale in feet

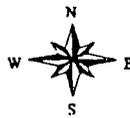


Photo Date: August 2002  
provided by OXY Resources CA LLC

**SITE MAP**

*ORCA Grizzly Island Well Site*  
Solano County, California

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## EXHIBIT C

### FIRST AMENDMENT TO OIL AND GAS LEASE PRC 8377

Whereas, effective January 30, 2002, the State of California, acting by and through the State Lands Commission, hereafter known as the "State", issued State Oil and Gas Lease PRC 8377 (the "Lease") to Oxy Resources of California LLC, hereafter referred to as the "Lessee", covering certain lands located in Solano County, California; and

Whereas, the Lease permits only limited use of the surface of the leased lands for conducting drilling and producing operations, and currently authorizes the drilling of one exploratory natural gas well and the installation of a natural gas gathering line, pursuant to Solano County Conditional Use Permit No. U-01-03, on or into the leased lands from an approved drill site location on Parking Lot Four; and

Whereas, as of the date of this amendment, Lessee has not commenced any drilling operations on or into the leased lands; and

Whereas, Lessee has identified one or more natural gas prospects that it desires to explore from a drill site on the leased lands to be located on the California Department of Fish and Game's ("DF&G") maintenance yard, which drill site is more particularly described and depicted on Exhibit I, attached hereto and incorporated herein and for convenience hereafter referred to as the "Maintenance Yard"; and

Whereas, the County of Solano has issued Conditional Use Permit No. U-03-03 authorizing Lessee to drill two exploratory natural gas wells from a drill site location on the Maintenance Yard, and the DF&G has consented to the use of the Maintenance Yard for the drilling of the said wells, subject to the terms and conditions hereafter provided; and

Whereas, the State and Lessee have agreed to amend the Lease to provide for the rescission of the State's authorization for and approval of the drilling of an exploratory natural gas well at Parking Lot 4 and, in substitution therefore, to grant State authorization for and approve the drilling, completing, equipping and producing of up to two exploratory natural gas wells at a drill site location on the Maintenance Yard, and, if either well is capable of producing natural gas in commercial quantities, the installation of a natural gas gathering line within the right of way described and depicted on Exhibit II, attached hereto and incorporated herein.

NOW, THEREFORE, the State and Lessee agree to modify the Lease as follows:

1. State hereby rescinds the prior approval of and authorization for the drilling of the exploratory natural gas well at Parking Lot 4 and the installation of a

natural gas gathering line (as permitted by the County of Solano pursuant to Conditional Use Permit U-01-03).

2. Paragraphs 14(a) and (b) of the Lease are deleted in their entirety and the following Paragraphs 14 (a) and (b) are substituted therefore:

"14. (a) Lessee has applied for and received the approval of Solano County (Conditional Use Permits Nos. U-01-03 and U-03-03) to drill up to three exploratory natural gas wells, one well to be located adjacent to Grizzly Island Road on existing DF&G Parking Lot 4, depicted on Exhibit C-1 attached to the Lease, and two wells to be located on the Maintenance Yard, described and depicted on Exhibit I of this First Amendment to Oil and Gas Lease. The drilling of an exploratory well at Parking Lot 4 pursuant to Conditional Use Permit U-01-03 is no longer approved or authorized at this time. State hereby approves and authorizes the drilling of up to two exploratory wells on the leased lands, to be located on the Maintenance Yard as permitted pursuant to Conditional Use Permit U-03-03. Lessee shall comply with all of the mitigation measures contained in the Mitigation Monitoring Program adopted by the County of Solano in connection with the issuance of Conditional Use Permit U-03-03, which Mitigation Monitoring Program is incorporated herein by reference. Lessee shall not commence operations for the drilling of any well authorized under this Lease until it has: (i) submitted a detailed drilling program to the State and secured approval thereof as provided in Paragraph 18 of this lease; and obtained all other permits and approvals for the drilling of the wells as required by law. Within eighteen (18) months after the completion of drilling operations for the first exploratory well drilled on the leased land, if any, Lessee shall submit to the State for its consideration, an Exploration and Development Plan for the leased lands (E & D Plan). The E & D Plan shall include a complete project description and shall provide at least for the drilling of one additional well for each six hundred forty (640) acres, or major fraction thereof, covered by this lease. To protect wildlife habitat, recreational uses, and management of the leased lands, the E&D Plan shall provide for all exploration and development undertaken pursuant to this lease to be conducted only from DF&G approved drill site locations and/or drill sites located off the leased lands and outside of the Grizzly Island Wildlife Management Area. The Lessee shall provide funds sufficient to pay for the preparation of the required environmental documentation under the California Environmental Quality Act (CEQA). After the completion of the environmental review of the E & D Plan and receipt of all necessary permits and approvals, which Lessee shall diligently pursue, the Lessee shall commence and diligently prosecute, exploratory and development operations in accordance with the approved E & D Plan. The approved E & D Plan shall incorporate

whatever measures are deemed necessary by the State, pursuant to the aforementioned environmental documentation, to mitigate potentially significant adverse environmental effects of such operations. Development plans for any later discovered pools capable of production in paying quantities shall be submitted to the State for approval within one year of discovery of the pool. Any inconsistencies between the approved E & D Plan and the development requirements of paragraph 17 of this lease shall be resolved in favor of the approved E & D Plan.

b) This lease was initially issued on the basis of a Mitigated Negative Declaration adopted by Solano County that reviewed the potential environmental impacts of drilling, equipping and producing a single exploratory natural gas well to be located on existing DF&G Parking Lot 4. Subsequent to the issuance of this lease, Solano County prepared and adopted an additional Mitigated Negative Declaration and authorized the drilling, equipping and producing of two additional wells to be located on the Maintenance Yard. Notwithstanding any other provision of this lease to the contrary, no wells other than the two exploratory wells permitted by Solano County Conditional Use Permit No. U-03-03 may be drilled on or into the leased lands without the prior approval of the State. Lessee acknowledges that any exploration and development of the leased lands, other than the said two exploratory wells and related facilities, and the scope and extent of such activities, shall be contingent upon and subject to additional environmental review as provided for in subparagraph 14 (a) above. Notwithstanding the issuance of this lease, approval of additional oil and gas exploration and development activities on the leased lands shall remain solely within the discretion of the State. Furthermore, nothing contained in this lease, nor in the relationship between State and Lessee arising hereunder, shall impose any constraint or limitation upon either the State or the DF&G with respect to the conduct and discharge of its respective legal responsibilities arising under the CEQA, the California Fish and Game Code, and other provisions of law."

3. Paragraph 1(a) of Exhibit C of the Lease is hereby amended to add the Maintenance Yard, described and depicted in Exhibit I attached, as a "DF&G approved site" for conducting drilling and producing operations. In the event a well drilled from the Maintenance Yard is completed and is capable of producing natural gas in paying quantities, Lessee is authorized to install, operate and maintain a natural gas gathering line within a right of way as described and depicted on Exhibit II, attached hereto. Within thirty (30) days of completion of the installation of the gathering line, Lessee shall furnish State and DF&G with copies of the "as built" survey depicting the location of the pipeline. All construction activities, as the term is used in Paragraph 1(a) 1 of Exhibit C of the Lease, conducted by Lessee on the Maintenance Yard, shall be conducted

exclusively during the prescribed DFG Construction Window. The "Construction Window" for the Maintenance Yard will be four and one-half (4½) months in duration, commencing on April 15 and ending on September 30.

4. Lessee shall faithfully and timely perform all covenants and conditions in that certain letter agreement, dated April 17, 2003, by and between Lessee and DF&G, a copy of which is attached hereto as Exhibit III, and incorporated herein by reference and made a part hereof. Lessee and DF&G may modify the letter agreement at any time, and from time to time, without the approval of the State, provided however, no such modification shall be inconsistent with or amend the terms of this Lease, nor modify any mitigation measures adopted by the State.

5. As herein modified and amended, the Lease is and shall remain in full force and effect.

6. The effective date of this amendment of State Oil and Gas Lease PRC 8377 shall be \_\_\_\_\_, \_\_, 2003.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of State Oil and Gas Lease PRC 8377 as of the date hereafter affixed.

LESSEE:

STATE:

OXY RESOURCES OF CALIFORNIA, LLC

STATE OF CALIFORNIA,  
STATE LANDS COMMISSION

By: \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Paul B. Mount II, Chief  
Mineral Resources Management Div.

Date: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT I  
Description and Depiction of Maintenance Yard

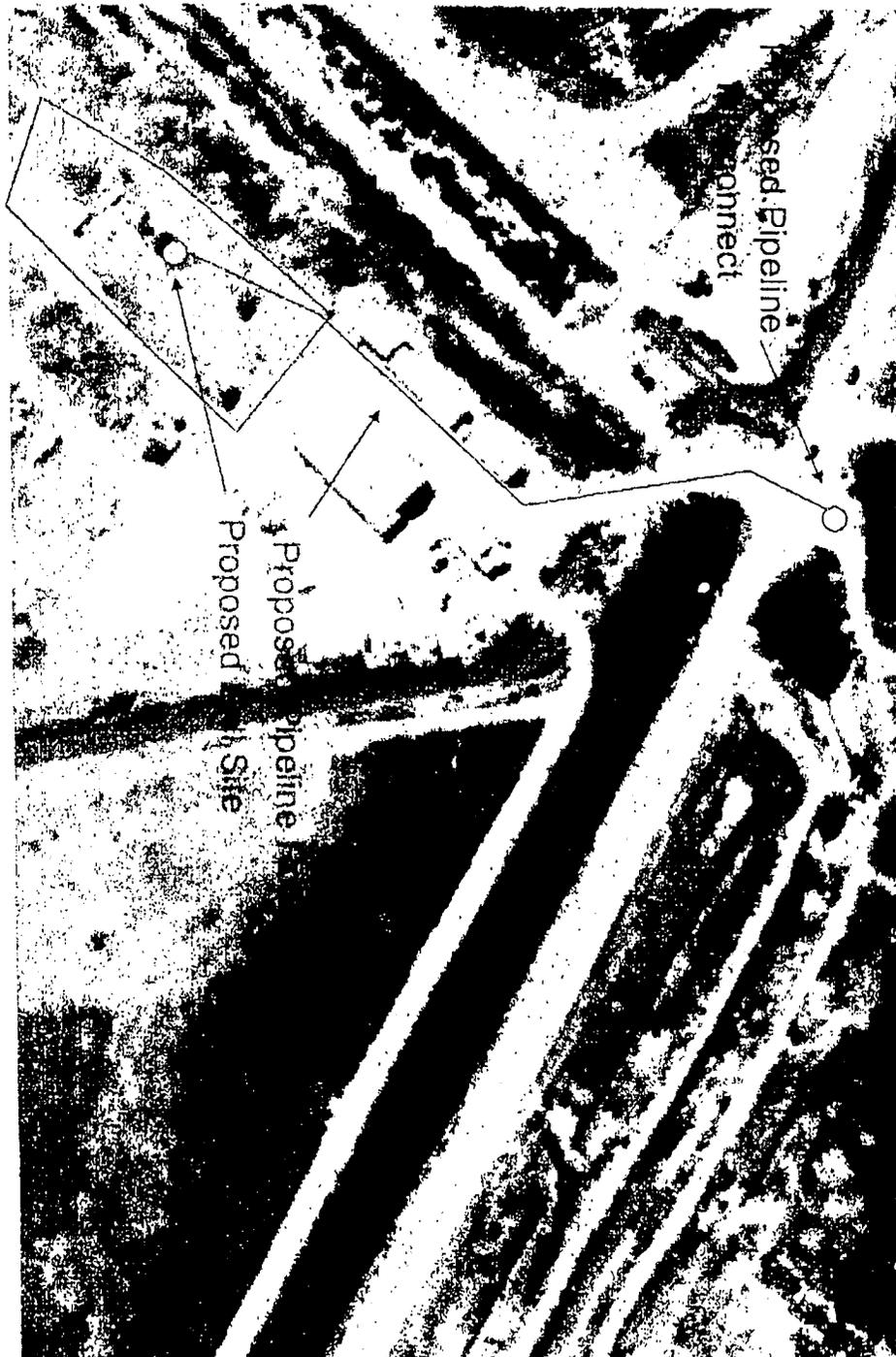


EXHIBIT C  
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EXHIBIT II  
Description and Depiction of Gathering Line ROW



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EXHIBIT C

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EXHIBIT III  
OXY -- DF&G MOU



Armando Gonzalez  
Environmental Advisor

OXY Resources California LLC  
P. O. Box 1001, 28580 Highway 118, Tupman, California 93276  
Telephone (861) 783-80632  
Fax (861) 783-8198

April 17, 2003

**FISH & GAME**

**APR 18 2003**

**YOUNTVILLE**

Mr. Robert W. Floerke  
Manager-Central Coast Region  
California Department of Fish and Game  
7329 Silverado Trail  
Napa, Ca 94558

Re: OXY Resources California LLC ("OXY") and California Department of Fish and Game ("DF&G") agreement in principle regarding OXY's request to amend that certain State Oil and Gas Lease (Negotiated-Implied Surface Use-Royalty), dated January 30, 2002, by and between the State of California, acting through the State Lands Commission, as Lessor, and OXY, as Lessee (the "Lease"), State Lease number PRC 8377 (W40834), covering and concerning lands in the Grizzly Island Area of Solano County, CA, more particularly described in the Lease.

Dear Mr. Floerke:

Pursuant to Rick Noble's (SLC) request, following is a memorandum of understanding (MOU) documenting our previous conversations, discussions and agreement regarding California Department of Fish and Game's Maintenance Yard drill site at Grizzly Island. As you are aware, due to our ongoing technical review, it has become apparent that the surface location for the initial test well under the Lease should be relocated from the area known as Parking Lot 4 to the area known as the Grizzly Island DF&G Maintenance Yard (the "Maintenance Yard"). As we have discussed with Mr. Dennis Becker, this move is expected to be to the mutual advantage of both parties because the alternative drilling location at the Maintenance Yard has sufficient room to accommodate a drilling location without adverse impact on DF&G's activities, has minimal impact on the environment and has an improved geological and geophysical outlook.

Pursuant to our conversations, OXY: (1) has applied for a Conditional Use Permit (CUP) from Solano County for an alternative initial test well site at the Maintenance Yard; (2) has requested the California State Lands Commission amend the subject Oil and Gas Lease in accordance with the points set out below; and (3) will subsequently make application for the other permits and approvals required by law for the drilling of the initial test well at the Maintenance Yard. OXY is seeking DF&G's concurrence with this letter to indicate your awareness that OXY is taking these steps and your agreement in principle to OXY's pursuit of the amendment to the Lease consistent with the following:

1. Subject to issuance of a CUP for the Maintenance Yard location by Solano County, OXY and the DF&G mutually desire to relocate the site for the first OXY well from Parking Lot 4 to the mutually acceptable location at the Grizzly Island DF&G Maintenance Yard.
2. Both OXY and the DF&G agree the Maintenance Yard location will have minimal environmental and operational impact and to be a generally superior location with regard to the operations of both parties.

An Oil and Gas Lease

EXHIBIT C

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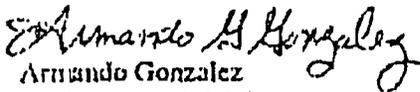
MINUTE PAGE

3. Both OXY and DF&G agree that the activity window for this site for 2003 and 2004 will be from April 15 to September 30.
4. OXY will work with CF&G to ensure that security at this site is maintained at all times during the drilling phase and production phase of operations.
5. In preparation for drilling, OXY will at the direction of CF&G remove specific non-hazardous debris stored by CF&G at the maintenance yard and dispose of this material at a licensed waste facility.
6. If commercial quantities of natural gas are found, a production facility as identified and specified in the CUP will be located in the CF&G maintenance yard. Gas will be transported via underground pipeline through the facility to the PG&E line on Grizzly Island road.
7. The DF&G supports OXY's request to the California State Lands Commission to amend the subject Oil and Gas Lease in accordance with the points set forth above.

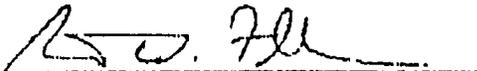
If you concur with the foregoing, please execute and return one copy of this letter to my attention at this office so we may proceed in securing the mutually desired amendment to the Lease from the State Lands Commission.

Very truly yours,

OXY Resources California LLC

  
Armando Gonzalez  
Environmental Advisor

AGREED to and ACCEPTED by California Department of Fish and Game effective this 18<sup>th</sup> day of April, 2003.

  
Robert W. Floerke

cc: Ms. Nancy T. Templeton  
Office of the General Counsel  
1416 Ninth Street, 12 Floor  
Sacramento, CA 95814

State Lands Commission  
Attn: Jeff Plauck  
200 Oceangate, 12<sup>th</sup> Floor  
Long Beach, CA 90802

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CALENDAR PAGE

exhibit C

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ADAPTED FROM  
NEGATIVE DECLARATION OF THE  
SOLANO COUNTY DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

**MITIGATION MONITORING PROGRAM:**

I.a: All production facilities shall be painted camouflage or an earthen tone to blend in with the environment and to prevent glare.

Verification: The applicant shall submit a photograph showing that this requirement has been met.

- IV.a: Sediment barrier fencing shall be erected around the project site at the marsh boundary (i.e., along the margins of the wellpad) prior to commencement of project activities to ensure that project-related materials do not enter marsh habitat and to restrict human access to the marsh. Project area boundaries shall be clearly delineated by stakes, flagging and/or rope or cord to minimize inadvertent degradation or loss of adjacent wildlife habitats during construction. Project related vehicles shall be restricted to approved travel paths/roads and the well pad site.
- IV.b: Any night lighting required for drilling operations, shall be directional lighting that directs the light downward and inward toward the project site.
- IV.c: The ORCA project representative shall establish traffic restraints and erect signs to restrict construction-related traffic to approved access roads, construction areas, storage areas, staging and parking areas. Off-road traffic outside of designated project areas shall be prohibited. Project related vehicles shall observe a 20 mph speed limit in all project areas except on County roads and State and Federal highways. Upon termination of the drilling phase, all traffic signs shall be removed.
- IV.d: All food-related trash items such as wrappers, cans, bottles, and food scraps generated both during construction and subsequent operation shall be disposed of in closed containers only and regularly removed from the site. Food items may attract animals onto a project site, consequently exposing such animals to increased risk of injury or mortality. No deliberate feeding of wildlife is allowed.
- IV.e: All construction pipes, culverts, or similar structures that are stored at a construction site overnight shall be thoroughly inspected for trapped animals before the subject pipe is buried, capped, or otherwise used or moved. Pipes laid in trenches overnight shall be capped. If during construction an animal is discovered inside a pipe, that section of pipe shall not be capped or buried until the animal has escaped.
- IV.f: Hazardous materials, fuels, lubricants or solvents that may accidentally spill during well drilling activities shall be cleaned up and disposed of according to applicable federal, state, and local regulations.

- IV.g: To prevent harassment, mortality, or destruction of sensitive species and/or their habitat by domestic dogs and cats, no pets shall be permitted on-site.
- IV.h: If the gas well is unsuccessful it shall be plugged and abandoned in accordance with the California Division of Oil and Gas regulations and all drilling facilities shall be removed. At such time that the well no longer produces natural gas and the well is abandoned, all production equipment authorized by this use permit shall be removed from the site within 60 days of the date of abandonment and the project area will be returned to natural grade for ongoing CDFG use.
- IV.i: Prior to issuance of the use permit, the permittee shall designate an environmental specialist to serve as an environmental monitor during the site preparation, drilling, and construction phases of the proposed project. The monitor shall be on-site 24 hours a day to ensure that all mitigation measures are adhered to. The name and contact information of the monitor shall be submitted to this Department. If, at any time, the applicant fails to adhere to the mitigation measures, the Department of Environmental Management shall be contacted immediately. The monitor shall be approved by the Department of Environmental Management.
- IV.j: On-site water tanks shall accommodate the largest volume of water possible to reduce the number of trips required to remove water from the site.
- IV.k: Project activities, including, site preparation, drilling and establishment of production equipment, are restricted to the period of April 15<sup>th</sup> through October 1<sup>st</sup> of 2003 and 2004.
- Verification: The applicant shall submit photographs of the production facility showing that IV.a, b, & c, are being adhered to. The applicant shall submit written verification from an environmental specialist stating that measures IV.d, e, f, & g are being met.
- XI.a: At no time during the life of the well shall the production facility emit a noise level in excess of 60 dBA as measured 100 feet from a compressor. A noise analysis shall be conducted at the future request of Environmental Management to confirm that the project continues to meet this requirement.
- Verification: A noise analysis shall be submitted within 30 days of a compressor being installed, to ensure this requirement is adhered to.
- XIII.a: The applicant shall provide the Transportation Department with security for road damages in the form of a bond to ensure against damage to public roads.
- XIII.b: Should the proposed gas gathering pipeline necessitate construction within the Grizzly Island Road right-of-way, the applicant shall acquire appropriate encroachment permits from the Transportation Department.
- XIII.c: The applicant shall repair and/or maintain private roads to a level equal to or better than the condition of the roads prior to project initiation.

EXHIBIT D

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MINUTE PAGE



Armando Gonzalez  
Environmental Advisor

OXY Resources California LLC  
P. O. Box 1001, 28580 Highway 119, Tupman, California 93276  
Telephone (861) 763-80632  
Fax (861) 763-6198

April 17, 2003

**FISH & GAME**

**APR 18 2003**

**YOUNTVILLE**

Mr. Robert W. Floerke  
Manager-Central Coast Region  
California Department of Fish and Game  
7329 Silverado Trail  
Napa, Ca 94558

Re: OXY Resources California LLC ("OXY") and California Department of Fish and Game ("DF&G") agreement in principle regarding OXY's request to amend that certain State Oil and Gas Lease (Negotiated-Limited Surface Use-Royalty), dated January 30, 2002, by and between the State of California, acting through the State Lands Commission, as Lessor, and OXY, as Lessee (the "Lease"), State Lease number PRC 8377 (W40834), covering and concerning lands in the Grizzly Island Area of Solano County, CA, more particularly described in the Lease.

Dear Mr. Floerke:

Pursuant to Rick Noble's (SLC) request, following is a memorandum of understanding (MOU) documenting our previous conversations, discussions and agreement regarding California Department of Fish and Game's Maintenance Yard drill site at Grizzly Island. As you are aware, due to our ongoing technical review, it has become apparent that the surface location for the initial test well under the Lease should be relocated from the area known as Parking Lot 4 to the area known as the Grizzly Island DF&G Maintenance Yard (the "Maintenance Yard"). As we have discussed with Mr. Dennis Becker, this move is expected to be to the mutual advantage of both parties because the alternative drilling location at the Maintenance Yard has sufficient room to accommodate a drilling location without adverse impact on DF&G's activities, has minimal impact on the environment and has an improved geological and geophysical outlook.

Pursuant to our conversations, OXY: (1) has applied for a Conditional Use Permit (CUP) from Solano County for an alternative initial test well site at the Maintenance Yard; (2) has requested the California State Lands Commission amend the subject Oil and Gas Lease in accordance with the points set out below; and (3) will subsequently make application for the other permits and approvals required by law for the drilling of the initial test well at the Maintenance Yard. OXY is seeking DF&G's concurrence with this letter to indicate your awareness that OXY is taking these steps and your agreement in principle to OXY's pursuit of the amendment to the Lease consistent with the following:

1. Subject to issuance of a CUP for the Maintenance Yard location by Solano County, OXY and the DF&G mutually desire to relocate the site for the first OXY well from Parking Lot 4 to the mutually acceptable location at the Grizzly Island DF&G Maintenance Yard.
2. Both OXY and the DF&G agree the Maintenance Yard location will have minimal environmental and operational impact and to be a generally superior location with regard to the operations of both parties.

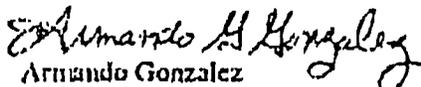
April 17, 2003  
Page 2

3. Both OXY and DF&G agree that the activity window for this site for 2003 and 2004 will be from April 15 to September 30.
4. OXY will work with CF&G to ensure that security at this site is maintained at all times during the drilling phase and production phase of operations.
5. In preparation for drilling, OXY will at the direction of CF&G remove specific non-hazardous debris stored by CF&G at the maintenance yard and dispose of this material at a licensed waste facility.
6. If commercial quantities of natural gas are found, a production facility as identified and specified in the CUP will be located in the CF&G maintenance yard. Gas will be transported via underground pipeline through the facility to the PG&E line on Grizzly Island road.
7. The DF&G supports OXY's request to the California State Lands Commission to amend the subject Oil and Gas Lease in accordance with the points set forth above.

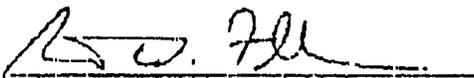
If you concur with the foregoing, please execute and return one copy of this letter to my attention at this office so we may proceed in securing the mutually desired amendment to the Lease from the State Lands Commission.

Very truly yours,

OXY Resources California LLC

  
Armando Gonzalez  
Environmental Advisor

AGREED to and ACCEPTED by California Department of Fish and Game effective this 18<sup>th</sup> day of April, 2003.

  
Robert W. Floerke

cc: Ms. Nancy T. Templeton  
Office of the General Counsel  
1416 Ninth Street, 12 Floor  
Sacramento, CA 95814

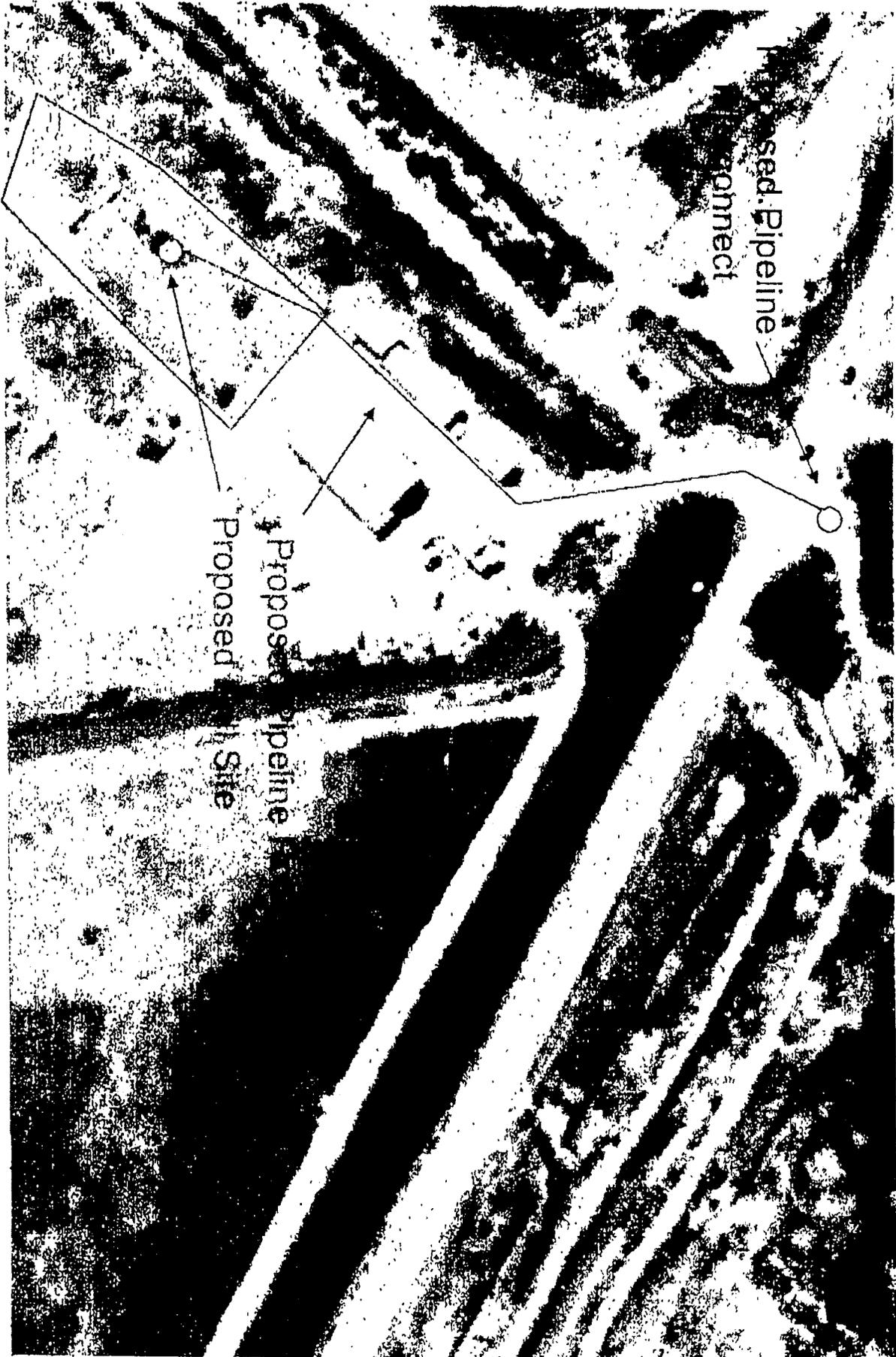
State Lands Commission  
Attn: Jeff Plauck  
200 OceanGate, 12<sup>th</sup> Floor  
Long Beach, CA 90802

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